the number of Home Centres now in operation in Quebec.

Our other businesses enjoyed modest growth in sales, but earnings were below last year's record level. In particular, office furniture sales have been slow and warehousing and distribution operations are at a reduced level. Demand for household furniture has started to pick up but the main Vilas plant at Cowansville has been closed by a labour strike since July 29. Those divisions serving the construction industry continued to enjoy a good level of business and earnings are ahead of last year. Gasoline pump sales are still low but net results are improved, reflecting operating efficiencies implemented last year.

It is regretted that the recent action by the Federal Government to institute a program of prices and incomes control became necessary, and it is to be hoped that initial administrative difficulties will soon be overcome and that the controls will only be required for a short period. We nonetheless approve the decisiveness of the step in the circumstances, and intend to support fully the spirit of the legislation. The uncertain effects of the control program necessarily temper our outlook for the balance of the fiscal year, but we remain optimistic, particularly in view of the earnings recovery being experienced by the Retail Merchandising Group.

D. G. Willmot
Chairman of the Board

J. T. Black
President

November 10, 1975

The cover picture shows one dozen cartons of Alberta's most popular beer coming off the line at the Lethbridge brewery. ▶

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PRINTED IN CANADA

MOLSON

REPORT TO THE SHAREHOLDERS

Six months ended September 30, 1975

THE MOLSON COMPANIES LIMITED

Consolidated Statement of Earnings
(Unaudited)

6 MONTHS ENDED SEPTEMBER 30	1975	1974
	($000's)	
Sales and other revenues	428,356	384,140
Cost of sales, selling and administrative costs and brewing excise and sales taxes	385,558	349,517
Depreciation	7,721	6,348
Interest expense	6,288	5,936
	399,567	361,801
Earnings before income taxes	28,789	22,339
Income taxes	12,900	9,600
Net Earnings	15,889	12,739
Net Earnings per Share	$1.16	$0.93

Consolidated Statement of Changes in Financial Position (Unaudited)

6 MONTHS ENDED SEPTEMBER 30	1975	1974
	($000's)	
Source of Funds		
Net earnings	15,889	12,739
Depreciation	7,721	6,348
Income tax allocations relating to future years	1,916	1,335
Other	51	34
Funds from operations	25,577	20,456
Long-term debt	—	23,041
Common shares	19	398
Sale of investments	—	3,348
	25,596	47,243
Use of Funds		
Dividends	5,484	5,471
Fixed assets	11,230	16,557
Business acquisitions (excluding working capital of $4,761)	—	23,528
Repayment of long-term debt	1,538	399
Other	384	238
	18,636	46,193
Working Capital		
Increase in the period	6,960	1,050
At beginning of the period	92,434	104,297
At end of the period	99,394	105,347

Consolidated sales in the six months ended September 30, 1975 were $428,356,000, an increase of 11% over sales of $384,140,000 reported last year. Net earnings amounted to $15,889,000 or $1.16 per share, compared with $12,739,000, or 93¢ per share for the same period in the previous year.

Notwithstanding excellent weather in most of Canada this summer, brewing industry sales, up only 3.2% over last year, were below expectations. Molson's growth was slightly higher in spite of the loss of sales incurred during the 11-week strike at our Vancouver brewery this summer. Price increases obtained early this year resulted in a partial recovery of margins which had previously been eroded by severe cost increases.

Results of operations of the Retail Merchandising Group reflect the benefits of a lower rate of expansion and tighter administrative controls. New store opening costs are markedly below the level of the previous year, inventories have been reduced, and operations at the central warehouse have been improved. Sales revenues have grown satisfactorily as the result of improved retail activity during the summer, and earnings for the period are ahead of last year. The opening of a 32,000 square foot Beaver Home Centre at Rosemere, Quebec, in August, together with the recent acquisition of three established home improvement outlets, brings to seven